STATEMENT OF THE
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REAUTHORIZATION OF ISTEA

Mr. Chairman, Senator Baucus, Members of the Committee:

Good afternoon. Thank you for inviting me here this afternoon to testify about reauthorization of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). I welcome this opportunity and I am excited by the prospects for building on ISTEA. It seems we have all been talking about this subject a great deal. At DOT, we have done extensive public outreach over the past year. We have heard from all parts of the transportation community, in all regions, at all levels of government, as well as from the private sector. The response has been heartening. It is now 1997, the year of decision, when we must move from generalities to specifics. Armed with a wealth of information and viewpoints, we can now get down to the business of developing successful legislation. On behalf of incoming Secretary Rodney Slater, and the Administrators of DOT's operating Administrations, I want to express our willingness to work closely with this Committee and, of course, with all the others in Congress.

This week opens the "official" debate on ISTEA reauthorization in the 105th Congress. I think we all recognize how big a challenge this year will be. It is time for the discussion to get down to real terms with real solutions in the context of a real deadline, September 30, the expiration of the current authorization. We know we will not all agree on every aspect of the next bill--what I have been referring to as "NEX-TEA"--but I believe we can reach consensus in a way that builds on the important themes of ISTEA:

intermodalism, planning, flexibility, safety, environmental protection, investment and innovation.

In a few weeks, we will present to you the product of our deliberations, the Administration's proposed reauthorization bill. It will reflect our firm belief that ISTEA has been a success and that the next authorization cycle should continue its programs and policies. Because of ISTEA, including its innovative programs authored by this Committee like the Congestion Mitigation and Air Quality Improvement (CMAQ) program, our transportation system is getting better and we are addressing its environmental impacts. We, along with our old and new partners in state and local governments and in the private sector --both in industry and labor -- are making good choices. Within the context of a balanced Federal budget, we are making progress on most of our most pressing infrastructure needs.

I noted the goal of a balanced Federal budget--a goal shared by the President and Congress. The theme of "balance" may be a useful one to remember during 1997. In fashioning a successor to ISTEA, we will have to achieve a balance among competing interests, between requests and available resources, between short-term and long-term solutions, between donor and donee states, between demands for greater mobility and higher productivity and the costs of such activity to our environment and to safety. This bill will also weigh the balance of power and responsibilities among levels of government. Achieving a good balance will not be an easy task, but it is a task that has been made easier by the record already established under ISTEA. ISTEA has given us both a foundation and a blueprint for the future.

As we begin the legislative process, I want to reemphasize that the Administration's long-term vision of the Nation's transportation system is spelled out in our DOT Strategic Plan. It envisions a "seamless" intermodal transportation system that effectively ties America together and links it to the world -- a system that will provide safe, efficient and environmentally friendly movement of people and the products they use. And it is always important to underscore that we need a transportation system equipped to meet our national security needs -- to respond to disasters, and to move people and goods, for both military and civilian purposes, in times of national emergency.

Today, you have asked me to address three topics: infrastructure funding needs, transportation benefits to our economy, and trends in transportation. In addition, I would like to briefly mention how the President's budget proposal will respond to our needs. I believe it demonstrates the President's continued commitment to transportation priorities and will allow us to build that bridge to the 21st century.

Infrastructure Needs

ISTEA authorized a total of $157 billion over the period of fiscal years 1992 - 1997. The appropriations process over that period actually made $145 billion available for ISTEA programs. We all should ask "What did we get for that money?" That investment is producing real results, even with many of the projects still under construction.

The physical condition of bridges and pavement, which had been deteriorating, has stabilized and, in many areas, actually improved. This is especially true on the 161,000-mile National Highway System (NHS), our premier national and regional network of principal routes that provide the greatest economic, defense, and personal mobility benefits. Peak-hour congestion in our largest urban areas has stabilized. Also, the rate of highway fatalities has declined, although not as much as we would like to see. These trends suggest that, while the successes of ISTEA may not make the daily headlines, overall, we have kept pace with the maintenance requirements of our infrastructure system; we have stopped the tide of accelerating deterioration of the system; and most importantly, we have begun to tie our transportation system together through ISTEA's emphasis on intermodalism.

And this success has extended to transit nationwide. In the last four years we have helped buy nearly 26,000 new buses and nearly 600 new rail cars for state and local transit agencies. Most of these meet requirements that they be accessible to persons with disabilities. We have also helped to fund more than 100 miles of new transit lines, serving more than 100 new stations, and our data show improved conditions and performance of our transit systems.

We are making progress. According to the Department's 1995 Conditions and Performance Report:*

- o The number of structurally deficient bridges has dropped.
- o The amount of pavement in poor condition has stabilized at a manageable level.
- o The percent of transit fixed facilities and rolling stock in good condition has increased.
- o Since 1984, the passenger-mile weighted average speed improved by about 10 percent on our Nation's transit systems.
- o Well over half of all riders report wait times of five minutes or less. Fifty-one percent of transit trips involve one or more transfers.
- o Less than one-third of all transit trips involve standing for at least part of the trip.
- o About 25 percent of all transit users report trip times of ten minutes or less.

Over the long run, to maintain current conditions on our highway and transit systems, it will require significantly higher funding from all sources--Federal, State, and local governments. Our most recent report to Congress suggests the shortfall may be as high as 40 percent. To improve conditions to optimal levels based on economic and engineering criteria would require us to double our current capital investment in highways and transit.

President Clinton recognizes the importance of sound infrastructure to America's prosperity and international competitiveness, and he has addressed infrastructure needs even as he has reduced the budget deficit. That is why he, drawing on ISTEA resources, increased investment in highways, transit systems, airports, and other infrastructure to an average of $25.5 billion over the past four years, more than 20 percent higher than during the previous four years.

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*The 1995 Status of the Nation's Surface Transportation System Condition and Performance Report of the Secretary of Transportation to the United States Congress (Comm. Print 104-30, March 1996). This report compares 1993 data with data for 1991. The Department's 1997 report will be published later this year.

Federal grant funding cannot meet all of our infrastructure needs, and so two years ago we created the Partnership for Transportation Investment, which has cut red tape, produced new financial tools, and attracted new sources of funding. That has accelerated over 70 projects worth more than $4 billion, including $1.2 billion in increased investment above and beyond that available through conventional financing. These projects have moved an average of two years ahead of schedule, saving interest and inflation costs and producing benefits faster. The '97 budget built on this progress by providing $150 million in seed money for the first State Infrastructure Banks, or SIBs, which, thanks to action by this Committee, were established under a pilot program under the NHS Act. SIBs will leverage private and other public funds through a variety of new financial strategies. The new budget proposes to expand this effort by providing another $150 million in seed money for SIBs, and $100 million for a new Federal Credit Program. The Credit Program will be similar to the SIBs in its support of innovative financing, but it will fill a different need -- the support of projects which, by virtue of their magnitude or multi-state benefits, are of national significance but which might not fit into the programs of individual states. That will enable us to make loans and apply other financing arrangements for such projects.

We can also invest in intelligent transportation technologies that will make our current infrastructure more efficient -- and less costly. Indeed, we believe that as much as two-thirds of the new capacity that we will need in the coming years in our Nation's most congested corridors can be provided by intelligent transportation systems and at much less cost than for normal construction.

The challenges before us are national in scope, and they require national solutions. Traffic congestion and bottlenecks in major trade centers like Los Angeles and Chicago not only impose delays on local commuters and regional freight, they also interfere with the speedy and reliable cargo movements essential to enhance our global competitiveness. Efficient mass transit systems are essential for our regional economies to compete with business centers around the world, and to assure that all our citizens have access to health care, education, and job training. And the Members of this Committee are well aware of the significance that we, as a Nation, have placed on improving the environment and upgrading safety. These challenges cannot be solved on a

piece-meal basis, but rather require coordinated national strategies, in partnership with state and local governments, industry, labor and other transportation customers.

Also national in scope are the public roads that serve the transportation needs of national parks, forests, tribal lands, and other areas under Federal jurisdiction. We propose spending $512 million in FY 1998 to support efforts coordinated by FHWA's Federal Lands Highway Program to develop necessary transportation infrastructure on Federal lands that protects natural resources, serves tourism, provides access for Native Americans, and supports economic development in rural areas.

President Clinton's proposed Fiscal Year 1998 budget for the Department of Transportation reflects the President's commitments both to balancing the budget by 2002 and to a safe, secure, and efficient transportation system -- one which supports economic growth while preserving our natural environment. Therefore at a time when the overall Budget is decreasing, the President has protected infrastructure by requesting a steady discretionary spending level of $25.6 billion.

For example, our highest priority within DOT is improving the safety and security of our transportation system. Although it is already the safest in the world, much of what we do is aimed at making that system even safer -- even as travel growth and demographic changes create new challenges. That is why we want to raise direct federal safety spending by $200 million -- to $2.9 billion, a record 7.5 percent of our total budget. A major focus will be on reducing highway crashes, which account for nine of every ten transportation fatalities. About 41,500 travelers died in such crashes last year, a slight reduction from 1995. This toll is far too high and we must redouble our efforts to reduce it.

In order to cut the fatality rate, we have to focus not only on making safer cars and safer roads, but also on working to assure that drivers do their part. We need increased education and enforcement, and to do that we want to raise highway safety spending by NHTSA by 11 percent -- to $333 million. While the details of our efforts will be included in our ISTEA reauthorization bill, I can tell you that our plan includes:

--$9 million for a new occupant protection grant program to encourage states to increase safety belt use, the single best way to protect a vehicle's occupants;

--a $9 million increase -- to a total of $34 million -- in funding to help states enact tough drunk driving laws;

--$8 million for a new research and education program to reduce air bag risks for children and small adults, while still preserving the benefits of air bags for all motorists; and,

--$2 million for a pilot program for pre-license drug-testing, as the first step in launching the President's new initiative to combat drug-impaired driving.

Along with a greater emphasis on safety, the President has also indicated his continuing commitment to infrastructure investment. The FY1998 budget proposal of $25.6 billion -- slightly above the average of the past four years -- would sustain the current investment that has produced significant results in terms of the performance of our transportation system. Under the Administration's plan, $24 billion could actually be obligated next year for highway and transit capital. Under ISTEA's successor bill, we will be proposing higher authorization levels for FY1998 and subsequent years in case the Administration's economic growth and deficit projections prove too conservative, as they have in the recent past. If the budget situation were to improve in future years in this manner, we would look toward increasing the obligation levels. We will work with Congress on NEX-TEA funding issues this year, and each year, through the normal budget and appropriations process.

As part of the President's Budget, we propose to support Amtrak -- including improvements for the Northeast Corridor -- from the Highway Trust Fund. That includes $767 million in FY1998 -- $344 million for operating and $423 million for capital, an increase of $27 million over last year's level minus one-time costs. The Administration will work with Congress, Amtrak management and labor, State governments, and other interested parties in the coming year to develop an

affordable long-range plan that eliminates Amtrak's dependence on Federal operating subsidy.

As part of a comprehensive plan to increase flexibility and improve efficiency in transit, we hope to integrate formerly disparate formula capital, formula operating, discretionary bus, and fixed-guideway modernization grants into a streamlined Formula Programs account. For urbanized areas over 200,000 population, we plan to replace transit operating assistance with increased capital funding and a more flexible capital assistance definition that would include preventative maintenance. Areas under 200,000 population -- those most dependent on federal assistance for operating costs -- would be able to use their formula grants for all transit expenses, including operating assistance. Also, transit providers in any size area would be eligible for a new Access to Jobs and Training program that targets Federal transit assistance to low-income individuals, including current and former welfare recipients.

Moreover, in the future, we are looking to technology to provide many of the improvements we need in safety and efficiency. That's why we want to increase investment in transportation research and development by nine percent, to $1 billion. That includes $250 million for Intelligent Transportation Systems (ITS), which apply advanced computer and communications technologies to travel. About $150 million will fund research, development, and technology transfer activities, and $100 million is for grants to encourage state and local governments to begin to invest in the integrated, intermodal deployment of the electronic infrastructure necessary to support ITS services. These include regional traffic information services and coordinated traffic control on both freeways and arterial streets.

Finally, transportation, like all human activity, affects the natural environment, and we have an obligation to mitigate its impacts. That is why we're proposing a five percent funding increase in our environmental programs -- to $1.53 billion. Much of this would be for CMAQ which state and local governments use to cut pollution through transit projects -- traffic flow improvements -- and alternatives such as ridesharing. CMAQ funds would be authorized at $1.3 billion a year, up 30 percent from their level under ISTEA.

I believe this budget will allow us to continue to improve our transportation networks.

Economic Benefits of Transportation

This Committee is well aware of the vital role that transportation plays in assuring America's economic prosperity and quality of life. From the colonial post roads and canals that expanded our frontiers, to the railroads and Interstate Highways that linked a growing country, to the transit systems that made possible the development of our great cities and provided important linkages in rural areas -- America's economic progress has always been closely tied to advances in transportation. And this progress has accrued to all those participating in this vital industry, including those engaged in its construction and operation.

And along the way, transportation became more than just a means to prosperity -- it became a big economic player in its own right. One measure of transportation's role in the economy is its contribution to the gross domestic product (GDP). In 1995, the portion of the GDP attributed to transportation-related demand was $777.2 billion, or 10.7 percent of overall GDP. Thus, transportation ranks fourth among economic sectors in its share in GDP, not far below health care and food. Nearly 10 million Americans are employed in industries that provide transportation-related goods and services, and these are good jobs--with the highest wage level of any sector of the economy.

We find that, as a result of geater efficiency in our transport systems, Americans now enjoy higher levels of transport output for the same level of input, an overall improvement in productivity.

As our national economy becomes more fully integrated and as America increasingly becomes part of a larger global economy, transportation will only become more important to our standard of living. Logistical innovations such as intermodalism and flexible "just-in-time" delivery systems have been essential in maintaining our productivity advantage worldwide against other countries that compete on the basis of lower wages. This process continues to accelerate and

translates into lower costs for businesses and for consumers, who pay less at the checkout counter as a result. In 1990, 18 percent of production was just-in-time; by 1995, it was 28 percent. In this and in other ways, transportation continues to contribute to our growing productivity.

Under ISTEA, Americans got more for their transportation dollars because ISTEA provided a strategic investment framework. It did so through stronger planning requirements and through programs, such as the National Highway System, that focused resources on roads of high national priority; it also provided for completion of the Interstate construction program. And ISTEA's authors had the vision to create the Surface Transportation Program, which provided unprecedented flexibility to state and local officials in determining transportation solutions that meet the unique needs of their communities.

We all know that investments in transportation systems and infrastructure can have a powerful effect on business activity. Until recently, however, our information about the economic consequences of such investments has been largely anecdotal. This is no longer the case. A recently completed DOT-sponsored study -- and, I might add, the most carefully done study ever undertaken on this subject -- has clearly documented the substantial economic returns on highway investments. As comprehensive as this study is, it is important to understand one other fact about it: the authors examined the economic returns on highway investments; they did not attempt to estimate the consumer benefits of highway investments, a major component of the public benefits.

The DOT study estimated how increased spending on highways lowered costs to those private companies that rely on highways. The results of the study are dramatic: between 1950 and 1989, the authors estimated that the average rate of private sector return on highway investments was 28 percent, a figure substantially higher than the average rate of return on investment earned by the private sector during this 40-year period (13 percent or so). While the rate of return on highway investments varies depending on the time period or highway system, the rate of return for total highway capital for the most recent period studied (1980-1989) was comparable to the average rate of return earned in the private sector (11 percent or so).

Other nations do not have the transportation infrastructure that we sometimes take for granted in the United States. It is transportation that has set us apart from the rest of the world. The *Economist* recently tracked the slow travel of Wrigley's chewing gum on a 1,000 mile trip from a factory in China's Pearl River delta to a consumer in Shanghai -- a trip that took several months and involved freighters, trucks, tricycle carts and bicycles. Most manufacturers in Asia could not even imagine "just-in-time" production; an Indian exporter's cost advantage over western competitors is eroded by around 30 percent, simply because of costs and delays in transportation. Gridlock is common in parts of Asia -- for goods and for people. Greater Jakarta, for example, is home to 16 million people, and it has no subway. The annual cost of gridlock in Bangkok is estimated at $3.2 billion.

Many nations around the world have also identified large infrastructure investment requirements, although the financial capacity to make the necessary investments varies by country. In Japan, transportation capital investment by the government, as a proportion of Gross Domestic Product, is about four times that of the United States. And our European allies invest at a rate substantially above ours. Asian governments hope to invest upwards of one trillion dollars on infrastructure by the century's end, half of which will be for transportation-related infrastructure. European governments are spending even more on a continent-wide system of high-speed rail and motorways. Our global competitiveness hinges on the efficiency of our transportation system -- in part because of the very size of our nation: in Japan, the average journey from manufacturer to the export shipping point is fifty miles; in the U.S., it is about 450 miles. We are examining transportation improvements, particularly in north-south corridors and along our borders with Mexico and Canada, that will facilitate enhanced trade resulting from the North American Free Trade Agreement (NAFTA). Another significant factor in freight movement has been the shift to east-west-Pacific-oriented flows, affecting not only the size and direction of rail traffic, but causing ports in Los Angeles and Long Beach to increase their market share. On a broader scale, it is critical that we assure that our connections across the country -- to ports, airports and major transportation facilities --effectively link us to our global partners.

The benefits of an efficient, interconnected national transportation system are clear. It is therefore vital that we understand the factors that contribute to and affect the performance of that system. While it may not make for the most dramatic testimony, I believe it is important to understand recent trends in transportation so that we may make the best choices for the future.

Transportation Trends

The United States is facing major changes in personal and business travel, new patterns of freight shipments, regional population shifts, fast-growing elderly and teen populations, and an explosion of information technology. Across the nation, there are growing demands for speed and efficiency, especially from businesses, but also from individuals struggling to preserve time for family and community alongside demanding work lives. Congestion and pollution are two problems that are increasing. Both present new challenges for the transportation community and force us to devise innovative solutions for dealing with them. We must meet the demand for increased mobility for all our citizens -- rich and poor, elderly and young, disabled and able-bodied, in urban and rural areas -- to ensure their full participation in community life. Let me outline a few aspects of current trends in transportation that will direct our future policy decisions on ISTEA reauthorization.

Much of this information is from the Bureau of Transportation Statistics (BTS) which, as you all know, was established by ISTEA. Their work of compiling, analyzing, and disseminating information on the nation's transportation systems will lead to a better understanding of the performance of the transportation system and the potential for its improvement.

Passenger Travel

Between 1970 and 1995, U.S. passenger travel nearly doubled, growing by an average of 2.7 percent a year. Annual passenger miles of travel per person averaged 17,200 miles in 1995--nearly 6,000 miles further than in 1970. Automobile travel grew by almost 1 trillion passenger-miles, reaching 2.8 trillion passenger-miles in 1995, overshadowing all other modes in absolute terms. Passenger travel in light-duty trucks (including pickups, sport-utility vehicles,

and minivans) grew nearly fivefold over this period raising concerns over the fuel efficiency of the light-duty fleet. With regard to public transportation, over the past 15 years, transit travel has remained relatively stable. However, passenger-miles traveled on commuter rail, light rail and demand-responsive services have increased appreciably.

Many different factors have contributed to the growth in travel, including demographic and labor force changes, income growth, and changes in the makeup of metropolitan areas:

-- In the quarter of a century between 1970 and 1995, the U.S. population grew by nearly 58 million people. More than 16 million people immigrated to the United States during this period. A high proportion were working-age adults who have joined the labor force and live in metropolitan areas. These factors have influenced urban travel demand.

--Baby boomers and women poured into the workplace. The civilian labor force grew by 59 percent, from 83 million in 1970 to 132 million in 1995. More people working means more people commuting, and more travel. In 1990, employed persons with licenses drove an average of 15,280 miles compared with 8,048 miles for people with licenses who are not employed.

-- The number of households increased by 53 percent, nearly twice as much as the increase in population would suggest. The reason: household size decreased from 3.14 people in 1970 to 2.65 people in 1995. Smaller households mean fewer people to share responsibilities for shopping, recreation, and child care, and thus more travel per household.

-- The number of automobiles and light trucks grew from 107 million in 1970 to 191 million in 1994. This increase is partly related to income growth. Rising income also generates demand for long-distance travel, especially international travel.

Changes in development patterns also have affected travel. In metropolitan areas, the locations where people live, work, and shop have become more

dispersed, and travel and dependency on private vehicles have increased. Metropolitan areas grew from 140 million people in 1970 to 189 million in 1990, but between 1980 and 1990, the central cities lost half a million people, while the suburbs gained 17.5 million. Between 1970 and 1990, the suburban share of metropolitan population rose from 54 percent to 62 percent, and during the second decade of this period, the suburban share of jobs rose by almost the same proportion, from 37 percent to 42 percent.

Shifts in the location of jobs have changed travel patterns. Suburb-to-suburb commutes in 1990 accounted for 44 percent of all metropolitan commutes, while suburb-to-downtown made up only 20 percent. As metropolitan areas expanded and low-density suburbs spread into rural areas, mass transit struggled to provide the same level of service as in higher density city cores. Thus, private vehicle trips soared, as they offered the most direct connections for many suburb-to-suburb commutes by occupants.

Although the increase in mobility over the last quarter of a century has brought major benefits to American society, not all share fully in the benefits. For example, for many Native Americans, inadequate transportation infrastructure has hindered economic progress, health care, jobs, and schools in Indian Country. This must change. President Clinton has proclaimed a government-to-government relationship with American Indian Nations to foster Indian self-determination and economic independence. Investment in the future of Indian Country, including investment in infrastructure, will ensure long-term dividends to our partners in this special relationship. The jobs created through this investment may provide some of the most impoverished areas of the United States an opportunity for economic prosperity.

In addition, as many available jobs have shifted to suburban and exurban areas, low-income workers who cannot afford to live in those communities or own a car are often left with inadequate resources to reach their places of employment. Alternatively, they cannot find work because the travel times involved are prohibitive. Also, if welfare reform is to be successful, low-income inner city residents must have the means to access jobs in suburban communities. Efforts such as our Department's FY 1998 $100 million access to jobs initiative, and

HUD's Bridges to Work initiative, will contribute to enhancing welfare-to-work opportunities.

Mobility for older Americans and people with disabilities is a critical and growing need that must be addressed. The elderly are the fastest growing component of the U.S. population, with nearly 13 percent of the population over the age 65. The number of Americans over age 65--33.5 million in 1995--could increase by over 50 percent by 2020. The majority of these individuals are accustomed to independent mobility in self-operated vehicles. The aging of the population will require important modifications to the transportation system to make it safer for those with less keen eyesight, hearing and responses. Adjusting our public transportation systems to bring them into compliance with the Americans with Disabilities Act is a mandate that must be fully implemented to serve better the needs of elderly persons and persons with disabilities. Public transportation and highways must be made more user-friendly through better signing, facility modifications and other improvements. We will have to give increased attention to mobility alternatives for these segments of our population, as their mobility may be a significant social, economic, and health concern. Appropriate and acceptable approaches to achieving these objectives will have to be addressed in ISTEA reauthorization.

Traffic congestion in the nation's 50 largest cities costs travelers more than $40 billion annually. Without a strategy that uses multi-modal solutions to this problem, delays are likely to increase over the next two decades as travel nationwide increases by a projected 60 percent. These delays translate directly into growing costs to business and ultimately are passed along to consumers.

The Movement of Freight

Freight transportation grew substantially between 1970 and 1994 in all land modes and air cargo. The ton-miles carried by Class I railroads increased 57 percent, while ton-miles carried by oil pipelines increased 41 percent. Using vehicle-miles of travel by combination trucks as a surrogate for ton-miles, freight transportation by truck increased 210 percent. The number of commercial motor carriers has also increased from 180,000 in 1989 to over 400,000 in 1996. The biggest relative growth was in air cargo ton-miles, which increased 434 percent.

This growth has been uneven, responding to general fluctuations in the economy. In response to the need for better data on freight movements, BTS worked with the Bureau of the Census to conduct the Commodity Flow Survey (CFS) in 1993. Results from the CFS (with adjustments by BTS) show that the nation's freight transportation system carried more than 12 billion tons of goods, generating a total of 3.6 trillion ton-miles in 1993.

The CFS confirms the dominance of trucks in our nation's freight transportation system, especially for shipping distances under 500 miles. Trucks moved nearly three-quarters of the value and just over half of the weight of all shipments. In terms of ton-miles, the split among truck, rail, water, and pipeline is more even because of the greater distances large shipments move in the nonhighway modes. Growth in truck use has been particularly dramatic. According to the Bureau of the Census Truck Inventory and Use Survey, the number of trucks used in for-hire transportation increased by 24 percent between 1982 and 1992. Vehicle-miles grew even faster: for-hire trucks traveled approximately 58,000 miles per vehicle in 1992 compared with 46,000 miles in 1982. Also, the truck fleet appears to be getting heavier as well as traveling farther.

Fast, flexible forms of transportation have become more important in recent years. In 1993, parcel, postal, and courier services carried more than 9 percent of the value of shipments of processed or manufactured goods that were measured by the CFS. When shipments carried by more than one mode are added to moves by parcel and courier services, intermodal freight exceeded 208 million tons, valued at about $660 billion. In particular, about 41 million tons, valued at $83 billion, moved by the classic intermodal combination of truck and rail. Assuming 50,000 pounds of payload per truck, this means that more than 1.6 million large trucks were diverted from our nation's highways for a major part of their trips.

Intermodal shipments tend to be high in value: goods shipped by parcel, postal, and courier services have an average value of $14.91 per pound, while truck-rail intermodal shipments average $1.02 per pound. Although these numbers are far less than the $22.15 per pound average for air and air-truck shipments, they are significantly higher than the 34 cents per pound for truck-only shipments and the less than 10 cents per pound for railroads, water transportation, and pipelines.

The importance of interstate transportation was also demonstrated. Much of the freight was shipped over long distances. According to CFS data, out-of-state shipments accounted for 62.3 percent of the value of all shipments in the U.S. By weight, out-of-state shipments accounted for 35.3 percent. These figures do not fully reflect certain categories of shipments (such as imports from foreign countries) that were out of the scope of the survey. Hence, the above figures on out-of-state shipments are probably conservative. Another indication of the significance of interstate travel is that 49 percent of the vehicle miles traveled by for-hire trucks in 1992 were outside their base state.

Freight transportation has changed in response to many factors. We are moving lighter goods, either because traditional products like automobiles are being manufactured with lighter materials, or because the economy is emphasizing inherently light products such as consumer electronics. Just-in-time logistical systems have placed new demands for faster and more reliable service to support manufacturing, wholesale, and retail. The combination of toll-free telephone numbers and overnight parcel delivery services has allowed small retail establishments to serve national and international markets, resulting in more growth for carriers specializing in small shipments.

International trade will probably continue to place increasing demands on the domestic transportation system. Although overall global economic growth rates are likely to be uneven, economic growth in regions such as Asia, the Pacific Rim, and Latin America may continue to be significant. This growth will provide new markets for U.S. products, and be the source of both imports and tourists to be carried on the domestic U.S. transportation system.

As I noted earlier, NAFTA has added a north-south focus to traditional concern with east-west freight movements for international shipments. Based on information from the BTS Transborder Surface Freight Dataset, collected through the Census Bureau, $273.56 billion in goods moved by surface transport between Canada and the United States in 1995, an increase of 10.2 percent from 1994. In terms of value, 74 percent of this trade move by truck, 22 percent by rail and 4 percent by pipeline in 1995.

In 1995, $96.36 billion in goods moved by surface transport between Mexico and the United States, an increase of 6.4 percent from 1994. In terms of value, 85 percent of this trade moved by truck in 1995; virtually all the rest moved by rail.

Finally, although transborder land crossings are important, most international trade moves in and out of the United States through ports. Seaports handled international cargo valued at $619 billion in 1995, compared to $49 billion in 1970 (in current dollars).

Safety

We have made great safety progress in the face of increasing travel. Even so, transportation injuries and deaths still impose a substantial drain on the U.S. economy, along with emotional devastation for surviving family members and friends. Transportation accounts for roughly half of the accidental deaths in the United States, as it has for at least 25 years. And approximately 95 percent of transportation deaths resulted from crashes involving motor vehicles. These crashes are the leading killer of America's youth. Yet the reduction in the highway death toll is one of the great success stories of the last quarter century. Had the 1969 death rate--five fatalities per 100 million vehicle-miles traveled (vmt)--persisted, more than 120,000 people would have died from motor vehicle crashes in 1995, nearly three times the actual number of fatalities. Not only the death rate, but the absolute number of deaths from crashes involving motor vehicles has declined dramatically.

Nevertheless, a close look at recent statistics allows little room for complacency. As I noted earlier, about 41,500 lives were lost last year on our nation's highways. These deaths are only part of the picture; crashes result in costly injuries, productivity losses, lost travel time and increased congestion, placing a huge burden on our economy -- an estimated $150.5 billion in 1994. The cost of medical treatment alone is estimated to be more than $14 billion a year. The American taxpayer pays more than one-quarter of that amount to cover the Medicaid and Medicare costs associated with these injuries. The American taxpayer also has to make up for the lost tax revenue resulting from injuries and fatalities, estimated at nearly $8 billion a year.

Taking into account the current level of Federal and state highway safety programs, projected increases in miles traveled will mean that the number of Americans killed in crashes will increase; a conservative estimate projects up to 51,000 deaths a year by 2005. This must not happen. We must reduce the fatality rate, and reduce the actual number of traffic fatalities. Improvements in vehicle and highway design will help. But the key is to improve our behavior on the highways by increasing safety belt and child safety seat use, by reducing drunk driving, and by increasing compliance with established traffic laws. Greater community involvement, and public and private sector leadership will lead directly to improved traffic behavior. National research and development also will continue to play a critical role in developing more effective countermeasures and delivery systems.

Over a year ago, DOT began to develop an *Action Plan to Reduce Highway Injuries and Related Costs*. We are assisting states in setting and evaluating their performance goals and providing a wide range of technical and financial assistance to assure that states have the tools, such as adequate data, to identify their problems and pursue the best strategies to resolve them. The *Action Plan* is an ongoing effort of the Department directed toward saving lives and taxpayer dollars. That plan, together with the safety measures I noted earlier that are included in our budget plan, will help communities respond effectively to these safety problems.

Environment

Transportation, like all human activity, also affects the natural environment. Because of its enormous size, it is inevitable that our transportation system will have some undesirable environmental impacts. Many, but by no means all of these impacts, stem from reliance on fossil fuels, especially petroleum. Because transportation energy use is increasing and domestic oil production continues to decline, U.S. reliance on imports is likely to continue. Gains from past technological change and fuel economy standards have tapered off.

Transportation activities can affect the quality of surface and groundwaters. Under some circumstances water quality may be affected when oil, fuel, and other chemicals emitted or dropped from vehicles is washed from highways by

rainfall. These contaminants can eventually reach streams, lakes, or groundwater. The movement and storage of fuels and other substances used for transportation also has the potential to cause water quality problems.

With regard to air pollution, the effort to control vehicle emissions has been an environmental success story. Far less pollution is emitted from cars and trucks today than twenty-five years ago. These dramatic improvements in air quality would never have occurred without a strong Federal role. Coordination between transportation and air quality planning has improved. More than one-quarter of the areas that did not meet ozone standards in 1990, and a few areas not meeting carbon monoxide standards, have met air quality goals. The Environmental Protection Agency has reclassified these areas as in "attainment." Nevertheless, many large cities continue to have problems meeting air quality standards and compliance will continue to be a significant challenge. Transportation officials must continue efforts under ISTEA's successor and the Clean Air Act to reduce air pollutant emissions from transportation.

Moreover, the United States continues to be the world's largest producer of greenhouse gases--both absolutely and on a per capita basis--and transportation accounts for 32 percent of U.S. carbon dioxide emissions, the key emission from anthropogenic sources. This is of ongoing concern because, as vehicle miles traveled and single occupancy vehicle rates continue to increase, transportation is the fastest growing sector for greenhouse gas emissions. The threat posed by global climate change must continue to be addressed through efforts to encourage travel in higher occupancy modes such as mass transit and carpools, to help reduce the growth in vehicle miles traveled.

Finally, efforts to mitigate environmental impacts and improve air and water quality, to protect open space, wetlands, and wildlife habitat, and to support other options that reduce the need for travel, such as pedestrian-friendly developments, must be continued and strengthened through programs such as CMAQ and transportation enhancements and through comprehensive and integrated transportation planning. Transportation planning decisions should also take into account efforts to redevelop "brownfields," particularly urban areas that have been abandoned or underutilized due to contamination risks.

Lessons Learned and the Challenges Ahead

ISTEA marked a turning point in developing an interconnected national transportation system, and its successor should be based upon that same vision. The question is: how do we get there, in an era of tight budgets? We believe ISTEA has provided a solid framework for us to build upon. The successor to ISTEA must retain the core elements that have made ISTEA such a success in just a few short years.

While we can be justly proud of the national progress made under ISTEA, there are still significant challenges ahead -- ones that will require fresh thinking and creative solutions -- and continue to require federal investment and guidance. If we are to maintain our quality of life and remain competitive in the global marketplace, we must aggressively meet the challenge of continued growth while mitigating unwanted safety and environmental effects.

As ISTEA's Declaration of Policy specifically acknowledged, we cannot treat our transportation infrastructure as a collection of individual modes competing with each other. We need to see our transportation facilities as a national system, with each mode complementing the others, and working together as a whole for the benefit of all users. ISTEA brought us closer to that goal, in several ways. First, it gave state and local governments the responsibility for planning all aspects of their state and regional transportation systems, and gave them more funding flexibility to pursue the goal of a more efficient, integrated transportation system. Second, ISTEA created mechanisms for funding projects connecting the different components of our transportation system. Through the CMAQ program -- the flexible, environmentally-oriented category in ISTEA -- we have, for example, funded an innovative truck-rail transfer facility in Stark County, Ohio, and projects in Portland, Oregon, and Seattle, Washington, designed to unsnarl traffic and improve rail and truck access to the commercial waterfront. These projects -- which help reduce vehicular congestion, improve safety and air quality, and provide better access into the port area so we can accommodate the increased volume of trade -- show that there does not have to be a tradeoff between jobs and the environment.

In regard to Indian reservation roads, ISTEA implemented our special government-to-government relationships by establishing a policy of consultation with tribal governments concerning the development of transportation systems for Indian reservations. For years, a lack of transportation infrastructure "chilled" economic development on Indian reservations. But ISTEA has begun to address reservation infrastructure needs and we need to continue to include tribal governments as partners in this effort.

In Miami, efforts are underway to plan a transit facility, known as the Miami Intermodal Center, to link Miami International Airport to the Port of Miami, a major cruise ship center. This is a good example of how the private sector and all levels of government -- city, county, state and Federal -- together with officials from different modes of transportation -- the air, maritime, port, transit and highways -- can work together to accomplish mutual goals.

Sound transportation systems cannot be created without the involvement of those affected. ISTEA brought new players to the table. The goal was to make the process of setting transportation priorities more informed and more inclusive. And state and local governments are responding. Efforts have been made throughout the country -- in Atlanta and Boise to name a couple of leading examples. Also, Federal land management agencies and tribal governments are increasingly involved in statewide and metropolitan transportation planning.

And a more inclusive process does yield results -- in the form of better, more feasible and more publicly acceptable plans. The plans being developed by states and Metropolitan Planning Organizations (MPOs) through the ISTEA processes are more viable. The fiscal constraint requirements ISTEA applied to these Transportation Plans mean they reflect the reality that planning requires hard choices based on available funding.

The comprehensive planning and public participation requirements established by ISTEA help to assure that a full range of social, economic, and community impacts are taken into consideration as investment decisions are being made. They connect transportation decisions with other community concerns -- land use, environment, and quality of life --to make communities more livable. There should be no question of turning back. ISTEA's successor must continue to

guarantee that investment decisions are the product of a systematic, inclusive planning process -- an informed political decision.

In order to meet the transportation challenges of the 21st century, we will have to draw upon the talents and creativity of all levels of government and the private sector. In the past three years, we have taken major steps in that direction. For example, in Glendale, California, a public-private partnership of the Glendale Transportation Management Associates, Nestle USA Inc., and Commonwealth Land Title took on the challenging question: how can private companies help clean the air? In June 1993, in a program partly supported by CMAQ funds, Nestle and Commonwealth Title began rewarding employees who voluntarily chose alternatives to driving alone. An evaluation of this demonstration program found that, with a modest investment of start-up funds, the average vehicle occupancy increased by approximately one-third, suggesting the possibility of achieving dramatic reductions in the number of vehicles clogging the roads of the Los Angeles basin.

ISTEA strengthened the traditional Federal-state partnership and expanded it to include local governments, metropolitan planning organizations, and the private sector. Post-ISTEA legislation should build upon these successful relationships. We also need to bring in all the resources and talent available.

Finally, cleaner, safer, and more efficient transportation has often come because of new technologies -- some entirely new, such as the automobile, and some that have made previous advances safer or more efficient, such as seat belts. Continued development and use of advanced technology are vital if such progress is to continue. Under ISTEA, there is a renewed emphasis on applying technology that will close the gap between the state-of-the-art and the state-of-the-practice. And a reauthorized ISTEA must harness technology to serve a new century, through intelligent transportation systems, high speed rail, magnetic levitation, and other new technologies. By emphasizing deployment of technologies such as ITS, we can translate innovation into improved safety, system capacity, efficiency and travel time. Investment in research and development has been expanded, both through increased funding and through new partnerships with the private sector.

CONCLUSION

ISTEA is visionary legislation, and its central elements -- intermodalism, flexibility, intergovernmental partnership, a strong commitment to safety, environmental protection, enhanced planning and strategic investment--should be preserved. These elements should serve as the foundation for the next surface transportation reauthorization. Over the course of the next several months, all parts of the transportation community, from both public and private sectors, will examine the merits of ISTEA and debate the details of the new legislation. I look forward to that debate.

Efficient national cargo movement is key to our ability to benefit from expanding trade opportunities. Truckers and other freight operators need national uniformity in both facilities and regulatory standards. We cannot achieve other key national priorities -- linking Americans to jobs, health care and education -- without efficient transportation. And the challenges we face in the areas of safety and the environment do not stop at state borders.

There are significant challenges ahead with a lot of work to do. In partnership with our colleagues in the states and local communities, and with the private sector, I believe that we at the Federal level have a leadership role in meeting those challenges.

Mr. Chairman, that concludes my prepared statement. I look forward to working with you and other Committee members on reauthorization of these important surface transportation programs. Clearly, we can all agree that investment in our nation's transportation infrastructure is vital to preserving our competitive advantage throughout the world and to maintaining the well being of our citizens. I will be happy to answer any questions.